

Message Text

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ACTION EB-08

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AMCONSUL KADUNA

C O N F I D E N T I A L SECTION 1 OF 2 LAGOS 9462

E.O. 11652: GDS
TAGS: EAIR, NI
SUBJECT: NIGERIA AIRWAYS/PAN AMERICAN TALKS

REF: STATE 186623

SUMMARY: DURING JULY 28 MEETING BETWEEN PAA AND NIGERIA
AIRWAYS (WT) OFFICIALS, PAA OFFERED SEVERAL PROPOSALS FOR
ASSISTANCE BUT THESE WERE REJECTED BY WT EXCEPT FOR CONCEPT
OF JOINT FREIGHT SERVICE TO EUROPE. WT REACTION WAS BASED
UPON A PERCEPTION THAT PAA IS TRYING TO CRUSH IT. EMBASSY
RECOMMENDS THAT FREIGHT SERVICE POSSIBILITY BE EXPLORED
ASAP AND THAT EMBASSY MAKE FURTHER REPRESENTATIONS TO
CIVAIR MIN. END SUMMARY.

2. IN FOUR-HOUR MEETING ON JULY 28, VISITING PAN
AMERICAN (PAA) OFFICIALS MICHAELSON AND ELSSAESER
ACCOMPANIED BY EMBASSY TRANSPORT OFFICER AND LOCAL
PAA OFFICIALS HELD EXPLORATORY TALKS WITH NIGERIA
AIRWAYS (WT) OFFICIAL ALLWELL-BROWN AND TWO MARKET-
ING OFFICIALS. MAIN PURPOSE OF THE MEETING, ACCORD-
ING TO WT SPOKESMAN ALLWELL-BROWN, WAS TO DISCUSS
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CAPACITY. HE SAID BLUNTLY THAT SOME WAY MUST BE
FOUND TO REDRESS THE BALANCE BETWEEN THE TWO AIRLINES
AND POINTED OUT THAT IF PAA INITIATES THREE 747
FREQUENCIES, IT WILL HAVE 1200 SEATS VERSUS THE 500
SEATS NOW BEING OPERATED BY WT. ALLWELL-BROWN ALSO
DEPLORED THE PROBLEM OF TOTAL CAPACITY, STATING QUOTE
WE DON'T WANT TO GET INTO A NORTH ATLANTIC SITUATION

WHERE CAPACITY IS PILED ON TO ADDITIONAL CAPACITY UNQUOTE. THROUGHOUT THE MEETING, PAA OFFICIALS HAD TO STATE THAT UNDER U.S. LAW, THEY CANNOT DISCUSS CAPACITY.

3. PAA MADE SEVERAL PROPOSALS FOR PROVIDING TECHNICAL ASSISTANCE WHICH WT REJECTED. FOR EXAMPLE, PAA OFFERED TO OPERATE AS WT'S GENERAL SALES AGENT (GSA). IT OFFERED TO GET WT INTO DOMESTIC COMPUTER FACILITIES IN U.S. AND OFFERED SPACE IN THE WORLDPORT IN NEW YORK. OTHER SUGGESTIONS MADE BY PAA INCLUDED COOPERATION ON THROUGH CONTAINER AND THROUGH PALLET SERVICE TO EUROPE, USE OF A WIDE-BODIED AIRCRAFT OTHER THAN A 747, LEASING OF BLOCK SPACE, AND FINALLY BRINGING IN ONLY TWO 747 FREQUENCIES TO LAGOS BUT ADDING A JOINT 747 FREQUENCY TO AMSTERDAM.

4. WT'S REJECTION STEMMED FROM A PERCEPTION OF ITS RELATIONSHIP WITH PAA WHICH WAS CLEARLY ENUNCIATED THROUGHOUT THE MEETING. WT FEELS THAT THE MARKET BETWEEN LAGOS AND NEW YORK IS LIMITED. THEY DO NOT SEE GROWTH THROUGH TOURISM DUE TO LACK OF LOCAL INFRASTRUCTURE. THEY SEE NO HOPE OF A MARKETING CAMPAIGN REDIRECTING NIGERIANS FROM TRAVELLING TO NEW YORK THROUGH LONDON. THEY STATED THAT THEIR PRINCIPAL PROBLEM WAS QUOTE CONSTRAINTS UNQUOTE ADMINISTERED BY PAA. WT FEELS THAT IT WOULD ACHIEVE A 25 PERCENT ANNUAL

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INCREASE IN TRAFFIC IF ONLY PAA WERE NOT SPREADING FALSE STORIES ABOUT WT AND MISDIRECTING WT CUSTOMERS IN NEW YORK. PAA AFRICAN HEAD BERMAN REPLIED THAT ONE PAA OFFICIAL IN NAIROBI WHO HAD BEEN REPORTED MAKING NEGATIVE COMMENTS ABOUT 25 AT COCKTAIL PARTIES HAD BEEN FIRED. WT STATED THAT NO ADDITIONAL CAPACITY SHOULD BE ADDED TO LAGOS TO NEW YORK RUN UNTIL WT'S SALES HAVE BEEN ABLE TO REFLECT ELIMINATION OF PAA CONSTRAINTS. ALLWELL-BROWN STATED THAT HE WAS NOT OPPOSED TO 747'S COMING TO LAGOS EVENTUALLY BUT THAT IN THE SHORT RUN IT WAS NO DIFFERENT THAN ADDING A FOURTH FREQUENCY OF 707.

5. WT SAW THREE OPTIONS FOR PAN AMERICAN IF LATTER PERSISTS IN DESIRE TO BRING IN 747 IN DECEMBER OR APRIL. (A) WITHOUT STATING IT OUTRIGHT. THEY ALLUDED ON SEVERAL OCCASIONS TO A POOLING ARRANGEMENT. (B) THEY SUGGESTED THAT PAN AMERICAN ROPE OFF SEATS IN ITS 747'S SO ITS CAPACITY WOULD MATCH THAT OF WT. (C) THEY STATED THAT QUOTE NAME OF THE GAME UNQUOTE IS FOR NATIONS TO SEIZE AIRCRAFT WHICH RESULT IN OVER-CAPACITY, CITING A RECENT EXAMPLE WHERE THIS HAD BEEN DONE TO WT.

6. BOTH SIDES ENDED THE MEETING WITH A FEELING THAT THE SITUATION WAS GRIMMER THAN WHAT THEY HAD IMAGINED BEFORE COMING INTO THE MEETING. LONDON REPRESENTATIVE OF PAA WENT SO FAR AS TO SAY THAT HE MAY HAVE TO RECOMMEND TO HIS PRESIDENT THAT SERVICE TO NIGERIA, AND HENCE TO AFRICA, BE SUSPENDED. ONE SMALL PLUS FROM THE MEETING WAS THAT WT EXPRESSED INTEREST IN THE JOINT FREIGHT SERVICE TO EUROPE AND ASKED PAA TO EXPRESS ITS INTEREST FORMALLY.

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7. COMMENT: THE SUSPICIONS EXPRESSED BY WT MIGHT BE LESSENED SOMEWHAT THROUGH PRACTICAL COOPERATIVE ARRANGEMENTS SUCH AS FREIGHT SERVICE. A LOWERING OF SUSPICIONS COULD IN TURN LEAD TO MORE FLEXIBILITY WITH REGARD TO CAPACITY AND FREQUENCIES. EMBASSY THEREFORE HOPES THAT PAA WILL PROCEED ON FREIGHT PROPOSAL AS SOON AS POSSIBLE. WE ARE CONCERNED, HOWEVER, THAT FOR THE PRESENT, FURTHER TALKS BETWEEN THE AIRLINES ON OTHER TOPICS MIGHT BE COUNTERPRODUCTIVE AND ONLY CREATE NEW TENSIONS.

8. UNFORTUNATELY, ANY ADVANTAGES TO BE REAPED FROM TECHNICAL COOPERATION ON THE FREIGHT ISSUE ARE NOT EXPECTED TO BEGIN IN LESS THAN FOUR TO FIVE MONTHS, WHEREAS PAA BEGINS TO INCUR SUBSTANTIAL ECONOMIC PENALTIES IN DECEMBER. WHILE PAA WANTS THE 747 SERVICE TO BEGIN IN DECEMBER, TECHNICAL PEOPLE AT WT MAINTAIN THAT LANDING THEN, BEFORE OPENING OF THE NEW TERMINAL, WOULD BE DANGEROUS. WT HOPES QUOTE THAT PAA WILL NOT SET OFF ANY BONFIRES UNQUOTE SINCE

THE 747'S OUTBOARD ENGINES WOULD HANG OVER THE RUNWAY.
WT WENT ON TO STATE THAT IT FEELS OPERATION OF 747 WILL
BE DANGEROUS EVEN AFTER APRIL, SINCE THE NEW TERMINAL
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WILL ONLY CREATE NEW GROUND CAPACITY AND WILL NOT DO
ANYTHING ABOUT THE OVERCROWDING IN THE SKY ABOVE LAGOS.
PAA REPRESENTATIVES RETORTED THAT THEY HAD A SAFETY
TEAM IN LAGOS A WEEK AGO WHICH REPORTED FAVORABLY ON
THE POSSIBILITY OF DECEMBER OPERATION FOR THE 747.

9. USG IN CONSULTATION WITH PAA MUST DECIDE
WHETHER ITS NEAR TERM OBJECTIVE IS TO GAIN ENTRY FOR
747'S IN DECEMBER OR APRIL. IF WE ARE TO CONTINUE TO
SEEK A DECEMBER OPENING OF 747 SERVICE, EMBASSY SHOULD
RETURN TO CIVAIR MIN ARMED WITH DETAILED FACTS TO SHOW
THAT PAA COULD SAFELY OPERATE 747'S INTO LAGOS PRIOR TO
COMPLETION OF THE TERMINAL. WE WOULD ALSO WANT TO HAND
OVER AT THAT TIME A WRITTEN SUMMARY OF A FINAL PACKAGE
OF PROPOSALS FOR COOPERATION BETWEEN THE AIRLINES. IN-
FORMATION ON THE COSTS WHICH PAA INCURS BY POSTPONING
INTRODUCTION OF 747 SERVICE UNTIL APRIL MIGHT ALSO BE
USEFUL. CIVAIR MIN WAS NOT PROVIDED THIS TYPE OF INFOR-
MATION DURING CALL BY AMBASSADOR EASUM ON PERMSEC.

10. IF DECISION IS MADE, ON THE OTHER HAND, TO POSTPONE
NEW SERVICE UNTIL APRIL, EMBASSY SHOULD CALL ON CIVAIR
MIN AND PRESS FOR WRITTEN CONFIRMATION AT THE EARLIEST
POSSIBLE DATE OF 747 SERVICE THEN BY PAA.

11. ALTHOUGH WE FOUND THE COURSE OF THE PAA/WT DISCUSS-
IONS OMINOUS, WE WOULD WISH TO NOTE THAT THE CIVAIR MIN
WILL NOT NECESSARILY BACK THE WT POSITION 100 PERCENT.
ALLWELL-BROWN COMMENTED DURING JULY 28 MEETING THAT WT DOES NOT
ALWAYS GET WHAT IT WANTS FROM THE MINISTRY. IT CANNOT,
FOR EXAMPLE, NOW FLY TO ZURICH OR BRUSSELS.
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